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VOLUME 44 NUMBER 1
JANUARY 1989

MANAGING THE BUSINESS

Will the strain on market forces backlash?

SOLID WASTE

Why deposit laws don't solve the problem

SUPERMARKET BUSINESS

JANUARY 1989 VOLUME 44/NUMBER 1

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By Ken Partch, Editor-in-Chief

The Next Five Years—Stand Up

I was reminded last month that just about five years ago I wrote an editorial called "The Next Five Years—Duck." I was reminded by Dean Werries, president & CEO of The Fleming Cos. of Oklahoma City. We agreed that, indeed, a lot did happen in the last five years—not all of it good, and not all of it bad.

One of the reasons I had said "Duck," of course, was that the consolidation of companies and enormous challenge of new formats was just beginning. I didn't think that these were short-term phenomena, but lasting ones. Ones that would change the industry in some basic way. That much, at least, has happened, and is still happening.

If I had to characterize the next five years, I think it would be to say that there is now, and is going to be, an increasing need for industry leaders, industry statesmen and industry spokesmen (if anybody can speak for an industry) to stand up and say: "There are too many things happening in the industry that I don't like, and, at least in my company, they are not going to happen anymore, and I am going to speak out against them whenever I get the opportunity."

It does not mean that I think that if a lot of people from all levels of the business go into a room and discuss the problems that they will find solutions that can then be acted upon. There is little hope of that, most people in the industry agree. But by speaking out in an informed and intelligent way, and announcing policies that are fair and good business, others who often act out of short-sighted ignorance just might mend their ways, now that it has been explained.

It is one of the reasons, I was once told, that the late Sidney Rabb of Stop & Shop of Boston was so keen on helping to found Super Market Institute just after the war. Sidney wasn't too concerned about the smart competitors in the business. He wanted to spread around the operating information that would make all the members better operators, and not have some retailers doing things out of ignorance that could easily hurt a lot of people unnecessarily. That was a good expression of *enlightened self-interest*.

That does not mean that any businessman can afford to be his competitor's moral keeper. It also does not mean that most retailers and wholesalers will not take advantage of an opportunity that might turn out to be a little "unfair."

Why don't all the trade associations form an ad hoc committee to petition the FTC to enforce the Robinson-Patman Act?

In retailing and distributing you seldom have the time or the inclination to test how "fair" an opportunity is to all your competitors. That really can't be your responsibility. This is a business where everybody has to take care of himself, to a large extent. That's why diverting, up-front money and slotting allowances will not go away unless the *perceived* advantage, or the reward, is removed. If the reward is available to everyone who wants it, or the penalty is the same, then the practice will soon die or become unimportant.

The logic of that above paragraph is so apparent I am forced to ask: "So what's the problem?" The problem is that the magnitude of the available up-front money has become so enormous that distributors and retailers have to spend too much of their efforts in managing ROII compared with running their businesses as merchants. And the real danger is that when and if the manufacturers shut off this money (and most odds are on "when"), the operators who have been spending their time on managing their ROII will have forgotten what was really important. Which is running the rest of the business

The flip side of this logical pattern is that those operators who have not been "smart" enough to be spending most of their efforts on managing their inventory investment will be in a better position to take advantage of the new reality. This will probably not happen in a sharp clap of thunder, but will probably evolve over a few years. At least that's what the smart heads tell me.

But as Marty Goldberg, an industry consultant, puts it: "Let's pray that the pendulum doesn't swing all the way back to a new opposite high point. Let's hope it stops somewhere toward the middle.

"In the end," says Marty, "it will probably get done on a company-by-company and one-on-one basis between middle management of both manufacturers and distributors, once top management has set the policy."

So stand up and help set the new policy. In addition, why don't all the trade associations in the industry form an ad hoc committee to petition the Federal Trade Commission to enforce both the spirit and the letter of the law as written in the Robinson-Patman Act?

The Federal Trade Commission (at least in the last Administration) believes that *all* promotional allowances are good because they save consumers money. Do you? ■

TRADE SCAN

C-Store Sales On The Rise, But Profits Are Falling

Total sales in U.S. convenience stores topped $59.6 billion in 1987, but pre-tax profits dropped to $1.3 billion. Food and other non-gas products accounted for two-thirds ($39.6 billion) of sales.

These were among the findings reported in the first edition of the *Convenience Store Industry Fact Book*, issued recently by the National Association of Convenience Stores (Alexandria, Va). The book reveals the results of the association's annual review of its membership, which includes 1,312 companies operating 53,638 stores.

The news coming from the report is both good and bad. On the positive side, total sales were up 10.6 percent—non-gas sales increased 10 percent, and gas sales rose 12.7 percent. The number of units in operation jumped 9.8 percent, and gross margins averaged out to a healthy 24.4 percent of sales—35.9 percent for non-gas products, and 10.6 percent for gas.

The bad news is that despite gains in units and sales, and strong margins, profits were down. Member companies reported a pre-tax profit of 2.2 percent of sales. The 6.7 percent drop in '87 marks the first decrease in industry profits since 1982.

The NACS study also showed that:

- The average yearly non-gas sales per store were $579,000; the average non-gas sale was only $2.03, while sales per square foot (in an average store of 2,400 square feet) were $4.64.
- The average investment needed to open a new convenience store in an urban setting reached $682,800.

Will Quality Take Back Seat To Service?

As quality products become the norm in supermarkets, quality service must be emphasized for stores to stand out.

That's the advice of John Elkins, president/CEO of Naisbitt Group (Washington).

"It's becoming recognized that you have to have a quality product to stay in business," Elkins said. "There are other issues of quality that are equally important, such as the quality of our business relationships. I think we'll be spending more time with those issues and less time with product quality, as high product quality becomes the expected starting point."

The quality of service can indeed make or break your foodservice operation, said Elkins.

Supermarket Openings Outpace Closings; Combination Stores Make Strides

More supermarkets opened than closed in the U.S. in 1987, for the first time in five years. Almost five percent of all supermarkets here opened in '87, compared with three percent of supermarkets closed that year.

These are the findings revealed in a recent report, *1987 Facts About Store Development*, from the Food Marketing Institute (Washington). Most of the new stores are combination stores or super stores, but combos (generally defined as super stores with pharmacies and a large volume of general merchandise) are gaining ground as a percentage of total stores, while traditional super stores are losing ground in terms of percent share.

Combos more than doubled their share of total stores from 1982 to '87, while super stores gained ground from '82 to '84 but lost it during the next three years (see chart). Almost 21 percent of stores closed in '87 were super stores, vs. 4.2 percent of store closings for combos.

U.S. STORES IN OPERATION BY FORMAT

Format	Percentage of Total Stores					
	1982	1983	1984	1985	1986	1987
Conventional	64.6%	55.4%	54.0%	53.9%	55.7%	57.7%
Superstores	25.6	29.2	35.9	32.5	28.9	23.2
Combination Stores	6.8	11.3	7.4	9.1	11.1	15.0
Warehouse Stores	2.3	3.1	2.4	3.7	3.5	3.1

Conventional supermarkets maintained their lead, with more than 57 percent of total stores, but they accounted for 67 percent of closed stores and only 18 percent of new stores.

The typical new store measures nearly 47,000 square feet, with 33,000 square feet of selling space—a considerable difference from a conventional supermarket's 30,000 or fewer square feet.

The proliferation of larger stores is a response to the demand for one-stop shopping, in conjunction with the population shift from cities to suburbs, where retailers can build bigger to accommodate more general merchandise and service departments, according to FMI.

Almost 10 percent of all supermarkets were remodeled in 1987, many to add service bakeries and seafood departments, energy efficiency or labor-saving systems.

Retrofitting cost an average of about $25 per square foot, compared with $75 for construction, the report notes.

Censure Food Stamp Underpayments, Not Just Overages, GAO Urges Bush

President-elect Bush should make good on his pledge to strive for a "kinder and gentler" society by generating legislative and regulatory action to improve the delivery of benefits to food stamp recipients, the General Accounting Office has told the Bush Administration's transition team.

Specifically, GAO officials urged the new administration to place less emphasis on penalizing states for providing too many food stamps, and more emphasis on ensuring that benefits are available to the needy.

In a letter to the as-yet-unnamed Secretary of Agriculture, GAO Comptroller General Charles Bowser warned Bush planners that the new administration will be forced to address several key agriculture policy, management and program issues. Among other things, GAO contends that Congress needs to fine tune the federal food stamp system, a program which directly impacts U.S. supermarkets.

While acknowledging that recent legislation should correct some of the food stamp delivery problems, the report calls for additional legislative and administrative action "to further improve the effectiveness and accuracy of the food stamp sanction system..."

Under a sanction system, financial penalties are assessed against states that provide excess food stamp benefits to recipients. The penalties are imposed if state overpayments exceed five percent. However, GAO questions the current "allowable error rate" used to determine when sanctions are appropriate.

According to the report, "The sanction amounts are so high, states have emphasized reducing overpayments at the expense of eliminating underpayments, improper denial or termination of benefits." GAO sees areas that may require additional action. These include the use of additional factors in determining error-rate sanctions, and redefined federal and state roles.

TRADE SCAN

THE WINNERS! SB Contest Winners Share Tips... But Will They Share Prizes?

The winners of our November contest deserve a hearty round of applause for their top scores in an unusually difficult contest. They really had to dig deep to find the right answers!

Arnie Warkall, co-manager of a Kroger supermarket in Wheeling, W. Va., says he and his co-workers get together every month to discuss their answers to the SUPERMARKET BUSINESS contest. They also try to adapt some of the ideas they find in the magazine to their own departments.

Warkall is particularly interested in information about the service deli, and he combs the pages of SUPERMARKET BUSINESS for ideas every month. "We have about 50 salad recipes in our deli, for example, but we're always eager to find new ones to add variety," he says.

Derek Oldenburg, assistant grocery manager at an Albertson's store in Boise, Idaho, also reads the magazine for merchandising tips each month. He finds the stories about technology and dry goods merchandising the most useful.

"There's a lot of good information in the magazine," he says. "If I can't use it, I pass it on to somebody else."

Warkall and Oldenburg will receive portable color TVs. Winners of this month's SUPERMARKET BUSINESS contest will receive personal stereos.

The January contest is on page 77, along with the list of winning entries for November.

Supermarket Financial Performance Steady, Despite Restructuring, New Debt Burdens

KEY FINANCIAL RATIOS BY COMPANY SIZE

Annual Sales	Net Profit 1986-87	Net Profit 1987-88	Return on Net Assets 1986-87	Return on Net Assets 1987-88	Return on Net Worth 1986-87	Return on Net Worth 1987-88
Less than $50 Million	0.76%	0.79%	4.94%	5.15%	16.25%	13.05%
$50 Million to $500 Million	0.90	0.67	3.91	3.46	11.90	9.69
More than $500 Million	1.13	0.79	4.12	2.95	14.81	11.18

Supermarkets' overall financial performance remained steady for the April 1987-March 1988 fiscal year, despite corporate restructuring that increased debt and interest expenses, according to the Food Marketing Institute's *Annual Financial Review*.

Smaller companies—those with annual sales of less than $50 million—fared slightly better than larger stores, because they were less affected by mergers and acquisitions, takeover attempts and buyouts.

The cost of interest increased about 43 percent, from .61 percent of sales in '86-'87 to .87 percent last year, due to increased debt financing, and pre-tax income dropped from 1.73 percent to 1.50 percent as a result.

Income from operations for the industry as a whole decreased about seven percent, from 2.14 percent of pre-tax sales in 1986-87 to 1.99 percent in '87-'88, and an increase in interest and operating expenses offset gains in non-operating income.

Income tax as a percentage of sales declined from .74 percent to .59 percent, a change that nearly half the respondents attributed to the lower federal corporate income tax rate—34 percent—that was phased in during '87 and became fully effective in '88. The typical effective tax rate for supermarkets dropped from 42 to 39 percent in 1987.

The net profit of smaller companies increased .03 percent, from .76 to .79 percent of sales, even as the profits of larger firms decreased, contributing to a greater return on net assets for the smaller firms (see chart). Return on net worth was down for supermarket companies of all sizes, but smaller companies fared relatively well nonetheless.

Sorry—We Forgot To Make The November Contest Fun

November's contest was a stumper!

In fact, some of the loyal fans of our little quiz found it somewhat overstimulating, including Gunther Romoslawski, store supervisor at Associated Grocers in Lansing, Mich., who wrote:

"This is one of the most frustrating contests you've put out. I enjoy reading your magazine, but I have no intention of doing a research project to find some of these answers... This used to be fun."

Sorry about that, folks. And since we don't want to earn the reputation of killjoys, we are allowing our November contestants to slide by with nine correct answers, instead of the usual 10.

We promise to keep the author of our contest—our quiz master—in line in the future. So be not apprehensive that the quiz master will become smug contemplating the stumped.

For his error, he has been sent to his office without a dictionary and directed not to leave until he has solved an entire Sunday *New York Times* crossword puzzle—Russian-language edition. If he's quiet and doesn't cause any more trouble, we will commute his sentence.

Our contest writer has been grounded until he completes the Sunday *Times* crossword puzzle ...without a dictionary.

Headhunter: Worker Shortages Demand Innovative Solutions

Supermarket companies had better begin right now to prepare for a shortage of workers at all levels of organization, according to a study by a New York-based executive search firm.

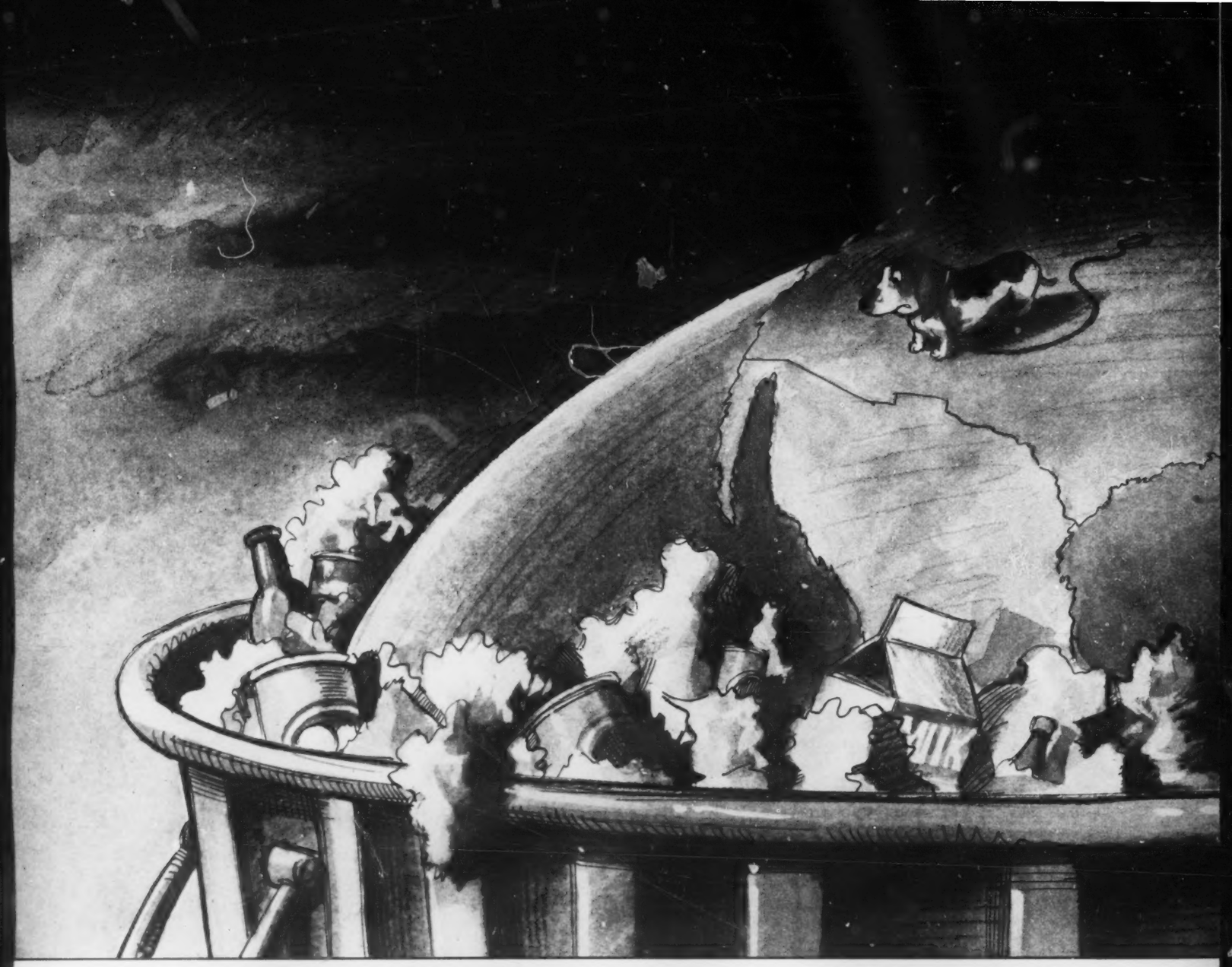
"The retail industry, buffeted by numerous mergers, buyouts and streamlinings throughout the 1980s, will have increasing difficulty recruiting, retaining and compensating employees at all levels, from clerical to the senior executive suite," reports Thorndike Deland Associates.

Supermarkets can start preparing by consolidating operations and cutting management layers. But they also must find ways to make up for the long hours and relatively poor compensation that have given them a bad reputation among job seekers.

"Supermarkets have to...somehow give people a way of seeing career paths in the supermarket industry," says Rawle Deland, a partner in the firm. "In the long run, the industry offers a lot of opportunities, but that has to be pointed out."

Many people who experience the environment of a supermarket when they are young like it so much they spend most, if not all, of their careers in the industry, he notes. On the other hand, go-getters can become frustrated if they aren't rewarded for their initiative, or if they don't know when and how their initiative will pay off.

"And supermarkets have to pay more money," Deland adds. "They have to get people early and keep them." ■



SOLID

DEPOSIT LAWS DON'T SOLVE THE PROBLEM

BY MIKE DUFF

Who remembers the infamous and itinerant garbage barge? An amused world followed the odyssey of that ship and its load of Long Island, N.Y., refuse as it cruised the East Coast of the U.S., the Caribbean and the Gulf of Mexico as far as Louisiana, looking for a place to dump its cargo. But what might seem just a funny misadventure illustrates a severe problem that is growing acute: We are running out of places to put our garbage.

Some people who laughed at the garbage barge might not be amused to

Illustration: Stephen Sweny

WASTE

know that in the last 10 years 14,000 landfills have closed, or about 70 percent of those that operated in 1978. And the U.S. Environmental Protection Agency predicts that, of the 6,500 total remaining landfills, 2,000—or 31 percent—will reach capacity during the next five years.

What are the alternatives? Not the sea, because, in the wake of last summer's beach closings and fish-killing algae blooms, ocean dumping is being halted. And alternative waste management plants, such as incinerators, often face fierce local opposition.

One popular idea, making more packages biodegradable, can't be counted upon as a realistic alternative, either. Even if plastics are reformulated so that they will biodegrade, they still must be dumped in a landfill for the process to take place.

Deposit laws target supermarkets

Solid waste already is a problem for supermarkets. In nine states, legislators have reacted to the most visible aspect of the solid waste problem—litter—with beverage can and bottle laws that put much of the onus of container redemption on supermaket operators.

To avoid such legislation, supermarkets in Washington, New Jersey and Florida have gotten involved in solid waste issues to ensure that each state deals with the problem fairly and realistically.

Many experts believe deposit laws actually stand in the way of developing better solid waste management systems. The key to improving the system, according to EPA, is to boost recycling.

But recycling works best only when waste contains elements that are valu-

Many experts believe deposit laws actually stand in the way of better solid waste management systems.

able to recyclers. If communities remove beverage cans and bottles from the waste flow, they also remove a valuable element, some experts contend. Consequently, those communities also reduce incentive for recycling programs— whether publicly sponsored or private— to develop in a community.

"We need to be able to put a value on the trash if the system is going to be sold to recyclers," contends Gordon Dancy, a vice president of Sonoco Products Co., a major recycler of paper products.

Since Oregon implemented its ground-breaking beverage can and bottle deposit law in 1972, nine other states have enacted similar legislation: California, Connecticut, Delaware, Iowa, Maine, Massachusetts, Michigan, New York and Vermont. Although litter is a community problem, deposit laws, for the most part, put the burden of redemption solely on retailers.

Such laws usually enact a handling fee for retailers, but it is often woefully inadequate, they contend. Supermarkets also are burdened with an unfair proportion of redemptions, operators say. Beverage containers purchased in other stores frequently are redeemed during regular supermarket trips. Because other stores have charged the deposit, redeeming supermarkets receive no revenue at all on the deal, deepening their losses.

D'Agostino Supermarkets (New Rochelle, N.Y.) is just one chain that has struggled with the problem of beverage container redemption. But, in some ways, its problems are worse than most because the company operates many stores in a notoriously difficult environment, New York City.

"Beverage container redemption contributes to congestion in our stores and is a very unpleasant element," says Mary Moore, director of public affairs for the company. "We do a limited sort in the front of our stores. But trucks pick up the empties every day and take them to a central warehouse. It's the only way we know how to do it. Some of our stores have limited basements and back rooms. It's very costly."

Moore says the trucking system cost D'Agostino $477,897 for the fiscal year ended July 30, 1988. The total handling cost for D'Agostino was $705,000. Revenue from the penny-and-a-half handling charge New York state allows retailers was $227,000, so D'Agostino's net loss on the operation totaled $478,000.

"We are handling more than 15 million cans and bottles on top of being a New York supermarket. That's a lot of impact," she asserts.

And cans and bottles add other costs that don't readily show up on a balance sheet. For example, even limited storage of used beverage containers creates a sanitary nightmare, requiring more cleanup and adding to pest problems.

All these costs, of course, cannot be fully absorbed by supermarkets. So, ultimately, consumers are paying for the beverage container redemption system.

Deposit burden getting worse

Although the supermarket industry has fought deposit laws, in some states they are getting worse rather than better. New York is looking at several proposals that would make the redemption system even more costly for supermarkets, operators say.

In Michigan, such legislation has already passed. Michigan, which charged five cent deposits on brown beverage bottles—those usually used for beer—now requires 10 cent deposits on all containers covered by the law. And that coverage has increased. Wine cooler bottles, formerly exempt, are now covered by the deposit law. The problem is compounded by the fact that Michigan doesn't allow retailers a handling fee. Oregon is the only other deposit law state that doesn't allow a handling charge.

"Our biggest complaint with the deposit law is that once again the legislature is expanding it and asking the retailer to provide a community service at no charge," says Linda Gobler, president of the Michigan Grocers Association.

Supermarkets are fighting deposit laws by pointing out that they aren't a solution to the real problem: solid waste. According to studies, metals, glass and plastics *combined*, make up only 23.4 percent of the municipal solid waste stream. And beverage containers are only a tiny proportion of those categories, each of which includes other types of packaging, automobile components and construction materials, among other kinds of refuse.

The largest category of waste, making up 41 percent of the total, is paper and paperboard products—including many kinds of consumer goods packaging. The second largest category is yard wastes, which represent 17.9 percent.

Solid waste solutions proposed

Keep America Beautiful, Inc., a national public education organization chartered to improve waste handling procedures, is working in communities to improve solid waste management systems. Its work is based on a four-point plan that aims to modify current waste management practices and create a system that can handle our current and future disposal needs.

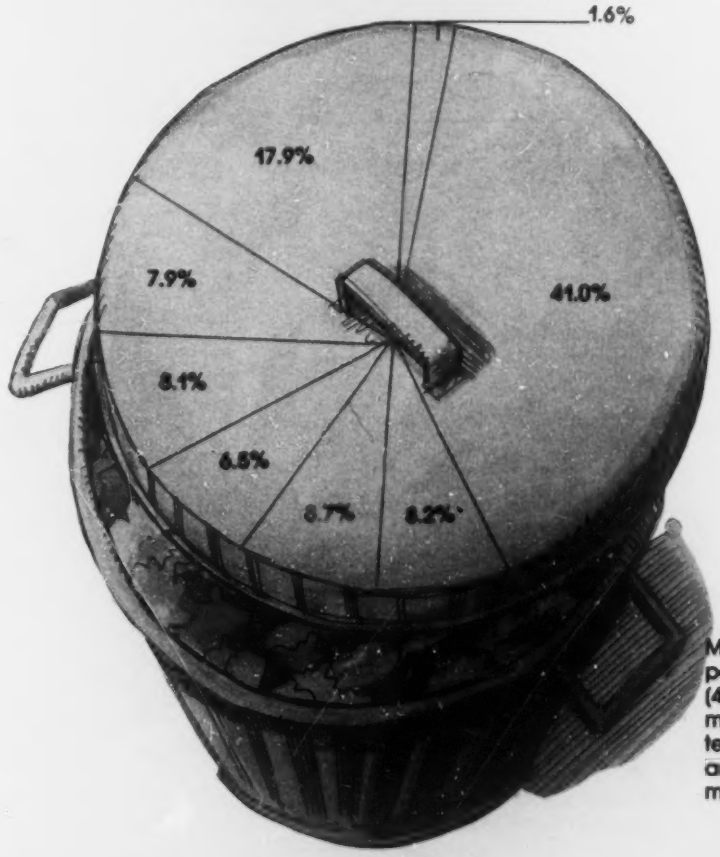
The plan, developed by the EPA, seeks to reduce the amount of disposable packaging; to develop waste energy and alternative sanitation systems, like incinerators; to identify new landfilling locations and techniques; and to boost recycling of key materials such as newspapers and packaging to 25 percent by 1992 from 10 percent today.

However, Linda Avery, manager of external affairs for Keep America Beautiful, points out that recycling is the key because it allows the other parts of the plan to work more effectively. If a recycling system is intact, manufacturers and retailers can concentrate on recyclable alternatives to throwaway packaging. Recycling makes incineration more efficient by removing glass, metal and other noncombustible items, and takes material out of the waste stream, reducing the need for new landfills.

"We concentrate on making people aware of recycling," she says. "We originally concentrated on litter and are just evolving into this issue now. We want to make people understand why they need to participate in the solution to this problem."

In several states, supermarket operators have joined other segments of the food industry to

SOLID WASTE DISTRIBUTION



Municipal solid waste consists of paper and paperboard (41 percent), yard materials (17.9), metals (8.7), glass (8.2), rubber and textiles (8.1), food (7.9), plastics (6.5) and miscellaneous organic materials (1.6).

help develop effective waste management systems that have been far more sweeping than deposit laws. The pioneers in this effort were Washington companies that helped legislators frame a litter law as an alternative to Oregon's deposit law.

The Washington law imposes a tax of $150 per million dollars on revenues of manufacturers, wholesalers and retailers working in the state. Funds are earmarked for the purposes of litter cleanup, according to a state department of ecology spokesperson.

She said the litter law developed at about the same time as Oregon's deposit law after the food industry offered to accept it as an alternative. The spokesperson adds that, when the public in Washington became interested in a bottle bill, "The people now subject to the tax said 'let's do this—the litter law—instead."

"Its a good system as far as we're concerned," says Wayne Ormiston, manager of operations for Keith Uddenberg, Inc., a Gig Harbor, Wash., supermarket operator.

Florida recently passed a far more comprehensive waste management bill that would significantly boost recycling in the stat .

The Florida law sets "advanced disposal fees" that would be collected by retailers like a sales tax if recycling goals are not met in the state. The initiative is scheduled to go into effect in 1992, according to Wayne Voitt, staff director of the Florida Senate Natural Resources Committee.

At that time, a one-cent-per-container fee will be imposed on containers eight ounces or larger made of materials that are not being recycled at a rate of 50 percent or better. That tax will grow to two cents in 1995 if the goals still aren't being met.

Currently, Florida recycles about 60 percent of its aluminum containers, 20 percent of glass and less than one percent of plastic, Voitt notes. Revenues from the tax will be used to set up recycling programs and promote their use among state residents.

Voitt adds that the program not only aims to boost recycling by imposing a fee, but also by encouraging businesses and consumers to use packaging materials that can be recycled most effectively. "The goal is to reduce the waste stream by 60 percent in six years," he says.

Although he doesn't believe that goal is realistic, John Pearman, president of Florida's Retail Grocers Association, says the program has merit. "This is not a problem that can be solved with one bill," he says. "But the bill is a step in the right direction because it addresses the litter problem as a solid waste problem. A bottle bill doesn't."

Pearman, a lobbyist, notes that he worked with such supermarket operators as Pueblo International (Lakeland, Fla.) and Winn-Dixie (Jacksonville, Fla.) to help shape the solid waste legislation.

New Jersey takes the lead

In spite of efforts elsewhere, however, New Jersey is recognized as the leader in solid waste management reforms. And the New Jersey Food Council has taken a leadership role in guiding the direction of those reforms.

The council consists of New Jersey-based supermarket chains, including A&P, Grand Union, Pathmark, Shop-Rite and Foodtown, as well as other food retailers, distributors and manufacturers and Philadelphia-based Acme Markets. It is headed by Barbara McConnell, a former state legislator and candidate for governor. McConnell says the New Jersey council, like its counterparts across the country, recognizes that the solid waste problem must be addressed in its entirety.

"Bottle bills don't work as solid waste solutions," she says. "We try to work with the state government on solid waste management."

New Jersey's progress on solid waste is based on a mandatory recycling law, the first of its kind in the country, which is currently being instituted throughout the state. According to McConnell, the law specifies that each municipality and county must establish a recycling center. It then can designate three or more materials, which the community must recycle at a rate of 25 percent of the total waste flow for the category.

To make the recycling system work, the law mandates curbside separation of materials—like glass, metal or newspaper—that local communities designate for recycling. So, for example, households in a New Jersey community may have to leave glass bottles, aluminum cans, newspapers and the rest of their refuse in separate containers for pickup.

But the supermarket industry in New Jersey has not stopped at advocation of solid waste management reform. It is a participant.

"All major supermarkets are recycling corrugated cardboard, fat and bones," says McConnell. Participating supermarkets recycled about 500,000 tons of such material last year, she adds. Recycling these items can boost the amount of aid to communities in which those supermarkets operate. "That tonnage helps communities get grant money for future recycling efforts."

New Jersey's solid waste system has an important economic advantage over beverage container deposit laws, in addition to being more complete in scope. Retailer processing of deposit bottles and cans eventually is paid for by consumers, as D'Agostino's Moore points out. But communities using solid waste management systems based on recycling can save their residents money.

New systems reduce costs

One example of these savings, which has been widely reported in the news media, can be found in the town of Highbridge, N.J. Citizens of Highbridge, which has already begun curbside separation and recycling, pay an average of $140 a year in trash collection fees. Some surrounding communities using the old system pay in excess of $400.

Supermarket operators who are concerned with solid waste management problems can help find solutions by organizing their communities, according to Avery of Keep America Beautiful. The best way to get involved, she says, is by organizing a citizens advisory committee. Such committees usually consist of concerned citizens who can seek the sanction of local government officials. And those officials often are glad to have help formulating policies on issues as complicated as waste disposal.

McConnell notes that reducing the amount of non-recyclable packaging is also part of New Jersey's plan to cut solid waste. She says supermarkets are aware that, if they don't take action, they may bear the brunt of efforts to reduce solid waste, as they have with beverage deposit laws in the case of litter.

McConnell predicts that, in the future, ease of package disposal will play a large part in supermarket buying decisions "because retailers are on the line publicly. You will see a system that will encourage preferred buying."

After all, no one wants a garbage barge in their future. ■

Europe and Japan have more efficient waste management than the U.S.

that as the population of blacks and Hispanics in the U.S. rises, the ethnic HBA market expands. The growth in average annual sales of ethnic HBA has outpaced the growth in overall HBA sales during the past decade. While the total HBA market grew by 8.4 percent between 1977 and 1987, the ethnic HBA segment increased by 17.2 percent, according to Frost & Sullivan.

Just what *is* ethnic HBA?

Before we go any farther, let's take a moment to define our terms. "Ethnic HBA" is an umbrella phrase that encompasses all toiletries and cosmetics—hair styling and maintenance items; shaving lotions and skin creams; facial makeup and nail polish; perfume, cologne and after-shave—targeted to non-white users.

The largest segment within the ethnic HBA arena is hair care—curl relaxers and activators, dyes, gels and conditioners—designed mainly for blacks, although many Hispanics buy them as well. Only about nine percent of all ethnic HBA is intended primarily for Hispanics, compared with 91 percent for blacks, according to Frost & Sullivan.

Hair care products accounted for $584 million—about 75 percent—of the $780 million total ethnic HBA manufacturer sales in 1987. Makeup brought manufacturers $104 million, followed by skin care items at $58 million. Fragrances and other toiletries comprised the remaining supplier sales. (See chart on page 58 for 1988 sales figures.)

"Let's face it—lipstick is lipstick, and nail polish is nail polish, although there are differences in shades and bases," says Jim Normandin, senior buyer for Beauty Enterprises (Hartford, Conn.), the largest ethnic HBA distributor in the U.S., who says hair care comprises the bulk of his business. "But black [people's] hair is unique because it's coarser [than white people's hair],

Ethnic HBA is a viable subcategory—if you've got the population base to buy it.

and it's often ultra-curly; to style it certain ways you need to relax or straighten it first.

"When you use these chemical applications," he explains, "your hair is stripped of its nutrients, so you need hair 'food'—moisturizers for dryness and activators to give back some of the bounce, for example."

There are an estimated 150 manufacturers in the U.S. making hair care and other toiletries and cosmetics specifically for blacks, Hispanics and other ethnic groups, according to industry sources, and about 15 to 20 specialty distributors whose sole purpose is to get these items onto retail shelves.

Some ethnic HBA suppliers—Soft Sheen, M&M, Johnson and ProLine, for instance—are owned and operated by members of the ethnic group to which they cater. Others—including Revlon, Gillette and Alberto-Culver—are "mainstream" or "general market" suppliers with divisions or product lines geared to a particular ethnic clientele. In addition, some mainstream suppliers—Combe, with its new "real black" and "jet black" shades of Just for Men shampoo-in hair colorings, for example—are extending basic HBA lines to incorporate items for ethnic users.

Now, it's no secret that supermarkets have been lagging behind drug stores in recent years in terms of getting ethnic HBA past the checkout. Mass merchants, HBA specialty shops and beauty salons also represent significant competition for the black and Hispanic consumer's dollar.

And that makes sense, given that HBA is a peripheral category in most supermarkets. But there's a general consensus among suppliers and distributors in the industry that supermarkets simply haven't made enough effort to maximize their ethnic HBA potential. Even those who carry the goods don't allot adequate space—in their stores or in their ads—to support strong sales.

"Historically, supermarkets haven't jumped on the [ethnic HBA] bandwagon," observes Jaime Valle, product manager for TCB, Alberto-Culver's 75-item ethnic hair care line. "They haven't promoted and assimilated [ethnic HBA] into their product lineups."

"The supermarket trade has never made a commitment to ethnic products, unlike drug stores and mass merchandisers," concurs Louis Parent, senior vice president of sales and marketing for Carson Products, which makes Dark 'n Lovely hair care items and Magic Shave depilatory. "There's plenty of effort being made [by other types of retailers], but the grocery industry seems to have a closed mind."

No one said it would be easy

Geri Jones, executive director of the American Health and Beauty Aids Institute, a Chicago-based trade association that represents ethnic HBA manufacturers, observes the situation from a slightly different perspective. "I'm not sure if it's a closed mind," she says. "It's just that the market is so diversified, retailers don't have time to learn about it.

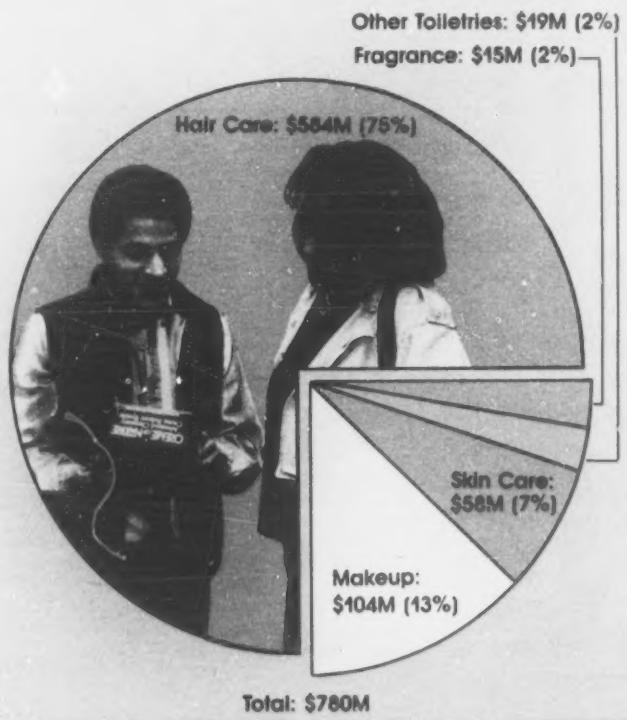
"You have to know the category and the consumers, and you can't look at it in a global way," she says. "It has

Continued on page 62

ETHNIC HBA: HOW SALES ARE SLICED

Hair care captured the biggest piece of the ethnic HBA pie in 1988, bringing manufacturers $584 million—about 75 percent—of the total $780 million, according to late '88 projections by Frost & Sullivan. Makeup and skin care crossed the finish line second and third, respectively.

Use the chart below as a guide in selecting the best mix for your stores, keeping in mind that ethnic traffic may vary significantly from store to store.



SAMI UPDATE

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO 4 WEEKS ENDING 9/9/88	4 WEEKS ENDING 10/7/88	4 WEEKS ENDING 11/4/88
BABY NEEDS			
Baby Powders	+ 4.7	− 6.7	− 7.6
Baby Oils, Creams & Lotions	− 2.7	− 0.2	− 2.2
Infant Clothes	−10.9	−15.4	− 0.4
Nursing Supplies	+ 1.1	+ 0.1	− 0.8
DEODORANTS			
Sprays	+ 6.6	− 0.9	+12.7
Roll-Ons	+ 4.6	− 3.4	− 2.0
Stick Deodorants & Pads	+ 1.8	+ 0.1	+ 4.7
Creams	− 8.7	− 8.1	−11.1
Deodorants & Talcum Powders	− 3.1	+ 2.8	+ 2.5
Feminine Hygiene Deodorants	+58.9	+87.5	+94.3
Foot Deodorants & Athlete's Foot Remedies	+ 7.7	+ 5.5	+ 4.9
Feminine Douches	+ 2.2	+ 6.9	+ 4.7
FIRST AID			
Antiseptics	+ 3.9	+ 3.2	+ 0.7
First Aid Products	− 3.4	− 0.5	− 5.8
HAIR CARE NEEDS			
Shampoos	+ 0.4	− 0.3	+ 4.1
Hair Sprays	+ 7.2	+13.1	+ 5.8
Hair Conditioning Rinses	+ 8.3	+ 7.6	+10.0
Hair Setting Needs	− 0.8	− 1.4	+ 3.5
Home Permanent Kits	−11.0	−20.9	−16.4
Hair Coloring	− 2.5	− 4.2	− 1.2
Hair Dressing Needs	− 9.0	− 8.3	−12.4
ORAL HYGIENE			
Toothpastes & Powders	− 6.5	− 6.9	− 5.0
Mouthwashes	+ 3.2	+ 9.3	− 2.4
Breath Fresheners	− 0.2	− 0.9	− 0.1
Denture Cleaners	+ 3.5	− 0.1	− 3.1
Denture Adhesives	+ 3.1	− 6.4	− 0.3
Toothbrushes	+ 0.6	+ 8.2	+ 5.0
Dental Aids	+ 3.4	+ 0.5	− 4.2
PROPRIETARY REMEDIES			
Antacids	− 1.8	− 0.0	− 2.4
Internal Analgesics	− 0.3	− 0.3	− 1.5
External Analgesics	+ 2.9	− 1.7	+ 1.0
Cold Remedies	+ 6.5	+ 7.1	+ 8.1
Nasal Sprays—Drops—Inhalers	− 7.2	− 6.7	−10.8
Chest Rubs	− 7.5	− 6.1	− 5.5
Cough Remedies	− 2.1	+ 2.1	− 3.4
Laxatives	+ 8.0	+ 2.3	+ 3.2
Sleeping Aids	− 0.5	+ 2.4	− 4.1
Tranquilizers	− 2.6	− 6.7	− 9.6
Synthetic Vitamins	+ 4.4	+13.2	+16.0
Eye Care Products	+ 8.6	+ 7.1	+11.2
Appetite Suppressants	+10.4	+ 2.0	− 6.5
SHAVING NEEDS			
Shaving Creams	+ 3.4	+ 4.8	− 6.0
Pre-Shave Lotions	+ 0.7	− 0.7	+ 5.4
After-Shave Lotions	− 5.5	−10.0	+11.8
Razor Blades	+ 5.2	+ 0.9	+ 1.5
Razors & Blades	+ 0.3	+ 5.0	− 1.1
SKIN CARE AIDS			
Hand & Body Creams & Lotions	+ 2.7	+ 3.1	+ 6.3
Facial Preparations	+ 6.1	− 4.8	− 3.9
Lip Care Products	+ 0.3	+ 2.2	+ 0.9
Suntan Lotions & Oils	+30.6	+68.8	+150.7
Cosmetic & Medicated Skin Aids	− 1.3	− 1.7	− 4.3
TOTAL ALL CATEGORIES			

HBA Unit Sales Rise Is Minimal In October

Despite the 0.8 percent increase, the dollar gain was $30 million.

BY ALAN MILLER JR.

October turned out to be another ho-hum month for health and beauty aids items in food stores, and there was little sales progress to report in the other product departments as well. This lethargy followed lackadaisical performances in both August and September.

During the four weeks ending November 4, unit volume of all HBA products tracked by SAMI advanced a paltry 0.8% over the corresponding period a year ago. However, on the positive side this insignificant percentage gain amounted to just under $30 million for the 28 days under scrutiny, which encompassed most of the month of October. The dollar increase amounted to 4.6%, or about the same as the gain for the most recent 12-week interval. The 4.6% dollar gain trailed all but frozen foods, which rose 4.3%.

The 0.8% increase for HBA on a tonnage basis was better than the break-even trend in units for dry grocery nonfoods and the poundage increases of 0.6% for frozen foods and 0.7% for refrigerated products.

Deodorants perform best

At the product group level of measurement, the four-week unit volume gains outweighed the losses on a 5-to-3 ratio. The best performance was achieved in the deodorant product group, whose gain amounted to 5.2%, a marked improvement over the 3.0% rate of increase on a 12-week basis.

Coming in second in terms of four-week unit volume gains were hair care needs, with a 4.4% improvement among all seven of these categories combined. The four-week gain for skin care aids was 1.8%, a trifle higher than the 1.7% growth for the last three periods combined. Gains of less than 1% were found among proprietary remedies (+0.7%) and shaving needs (+0.1%).

There was a negative ratio of losses to gains at the product category level of measurement. There were 24 categories on the plus side of the ledger and 18 with minus volume. In six categories the gain rate was in double digits and in one — suntan lotion/suntan oil — the increase was a whopping 150.7%. Four product categories registered rates of decline above 10%: home permanent kits (-16.4%), hair dressing needs (-12.4%), cream deodorants (-11.1%) and nasal sprays-drops-inhalers (-10.8%).

All four of the baby needs categories were in arrears of last year's sales pace, but whereas the category of infant clothes is usually the laggard trendwise in the October period, these items had the lowest rate of decline (-0.4%) of the four categories in this product group.

Powder is baby needs loser

The most pronounced loss was among baby powders, where the 7.6% four-week loss compares with a decline of 3.2% for the full 12 weeks. Sales of baby oils, cream and lotions fell 2.2% as compared with a 7.0% gain in units on a 52-week basis. Nursing supply movement was 0.8% below the level for the corresponding year-earlier period.

Only two of the eight categories of personal deodorants were on the downside: roll-ons (-2.4%) and creams (-11.1%). Spray deodorants managed to achieve a gain of 12.7%, the first strong period of growth for these items since stick deodorants and antiperspirants started their climb to their current position as the leading form of application. The strong showing for sprays helped to reduce the annual deficit to 1.8%, down significantly from the 3.3% annual loss rate in October.

Stick deodorants lost share in the category, but still managed to post a 4.7% four-week gain. Creams represent the deodorant category with unceasing declines in popularity; these products lost 11.1% for the four weeks and are 10.2% behind last

SAMI UPDATE

year's pace on an annual level.

Feminine hygiene deodorants, albeit on a relatively small volume base, managed to go ahead 9.4.3%, largely as a result of the growth contributed by the new Massengill towelettes. Gains of nearly 5% were recorded by both foot deodorants and athlete's foot remedies and feminine douches/washes.

The 2.5% rise for deodorant and talcum powders is superior to the gain rate of 0.3% for the 12-week span. The 3.9% decline for first aid items was caused by the weakness among first aid products rather than antiseptics, which were able to post a small gain amounting to 0.7%.

In the hair care needs product group the same three categories which had sales losses for the entire 12 weeks also continued their downward performance in the most recent period. The loss rate for home permanent kits, amounting to 16.4%, was similar to the drop for the 12 weeks, and the 12.4% decline for hair dressing needs was even higher than the 9.9% falloff for the 12 weeks. The hair coloring loss amounted to only 1.2%, an improvement over the 2.6% 12-week decline.

Bright spots in hair care

The bright spots in hair care needs were provided by hair conditioning rinses (+10.0%), hair spray (+5.8%), shampoo (+4.1%) and hair setting needs (+3.5). In three out of four of these instances (except for hair spray) the four-week showing was an improvement over the performance during the most recent 12 weeks. The gain for shampoo was enough to reduce the annual loss rate for the category to below 1%. It now stands at -0.7%. Hair sprays have slowed down a bit, but four-week unit volume in October was still 700,000 more than last year and the unit gain for hair conditioning rinses was 500,000.

The only category of oral hygiene items exhibiting growth during October was toothbrushes, which were successful in advancing 5.0%, a higher rate of gain than the 4.5% for 12 weeks or the annual hike of 2.8%. Sales of toothpaste and powder fell 1.4 million units or 5.0%. This rather precipitous loss rate can be attributed to an unusually high level in 1987, when there was an atypical amount of new product activity in the category.

Mouthwash sales seem to be taking a breather following uninterrupted gains over many months. Their 2.4% decline for the four weeks compares with an annual increase amounting to 6.8%. The 0.1% decline for breath fresheners is hardly significant in a low-volume category.

The losses of 3.1% for denture cleaners and 0.3% for denture adhesives are consistent with trends in these categories over the past couple of years. The 4.2% decline among dental aids (which include items as diverse as floss and dental appliances) is in contrast to a 5.3% unit gain for the full 52 weeks.

Cold remedies show gain

SAMI tracks volume in 14 categories of proprietary remedies, and during the 28-day period under scrutiny the gains were evenly divided with losses, and the gain for the product group as a whole came in at +0.7%.

The positive trend for the entire product group can be credited to the strength among cold remedies (+8.1%, or an increase of 1.2 million units); eye care products, which grew at the rate of 11.2%, and synthetic vitamins, which were ahead 16.0%. There were less impressive assists from natural vitamins, minerals and supplements (+5.2%), laxatives and stool softeners (+3.2%), and external analgesics (+1.0).

Three of the cough and cold categories registered rates of decline for the four weeks and are also in the negative column for both 12 weeks and the year.

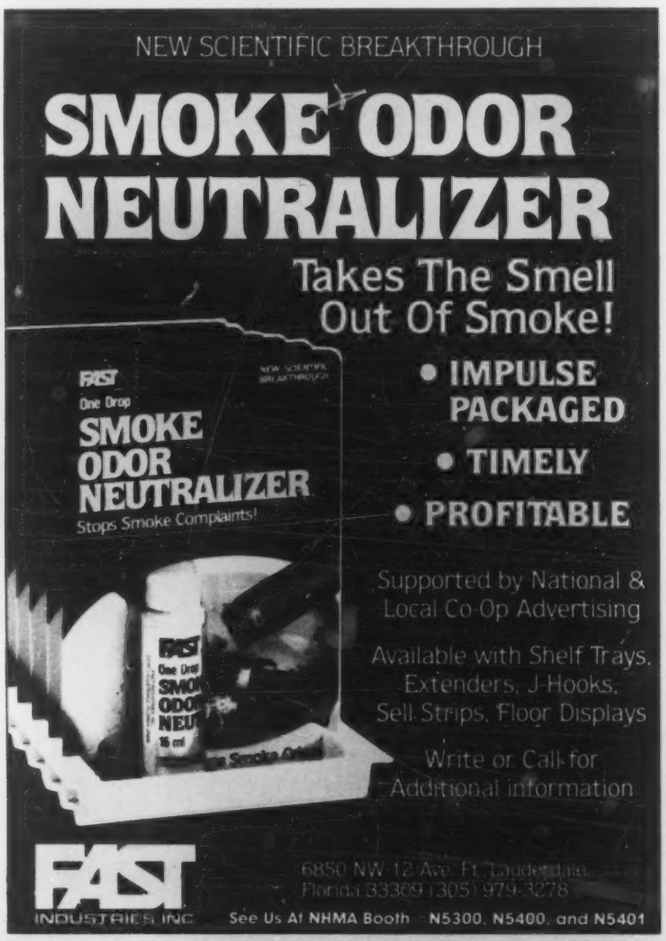
Of the three, the highest rate of decline was the 10.8% loss for nasal sprays-drops-inhalers. It was 5.5% for chest rubs and 3.4% for cough remedies. Other four-week loss situations were found among internal analgesics (-1.5%), sleeping aids (-4.1%), tranquilizers (-9.6%) and appetite suppressants, ending a winning streak with a four-week loss of 6.5%.

Three of the five shaving needs categories eluded the loss patterns they periodically fall prey to. Shaving creams fell 6.0%, but not enough to erase the 0.6% gain for the 12 weeks or the 0.7% increase for the year.

Pre-shave lotion unit volume improved 5.4% and this gain was sufficient to create a gain for the full year. The same is true of after-shave lotions whose 11.8% four-week upsurge was also sufficient to take the category into plus territory on a full-year basis. However, razor blades are still in the losing column for the full year, although they are ahead 1.5% for the four weeks and 2.6% for the 12-week period.

Three out of the five categories of skin care aids showed growth for the 28-day period, ranging from +150.7% for suntan lotion-suntan oil in a seasonal trough period, to a gain of just 0.9% for lip care products. The 6.3% gain for hand and body lotions translates to almost 400,000 more sales in units than were recorded in October 1987.

The two categories with four-week declines were facial preparations (-3.9%), and cosmetic and medicated skin aids (-4.3%). ■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